Department of Justice

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TWO BUSINESSMEN INDICTED IN SCHEME TO AVOID PAYING TOBACCO TAX

SACRAMENTO, Calif.—United States Attorney McGregor W. Scott announced today that a grand jury returned an indictment on Thursday against SALAM SALIEM KALASHO, 38, of El Cajon, Calif., and ANIL KUMAR MALHI, 41, of Moreno Valley, Calif., charging them with mail fraud and conspiracy to commit mail fraud. KALASHO and MALHI are accused of running a multimillion dollar scheme to defraud the State of California of tobacco excise tax.

This case is the product of an investigation by the Bureau of Alcohol, Tobacco, Firearms & Explosives (ATF), California Board of Equalization (BOE), and the California Attorney General's Office.

According to Assistant United States Attorney R. Steven Lapham, who is prosecuting the case, KALASHO, the president of Pisces International Inc., is suspected of evading an estimated $10 million in excise tax owed to the State of California from the sale of "other tobacco product" or OTP. MALHI owned one of Pisces' biggest customers, LA Price King (now out of business), which assisted Pisces in the evasion.

Using a scheme involving multiple businesses in Arizona and California, multiple bank accounts in California under different account names, and multiple sets of records in order to distinguish legitimate tax-paid OTP from product sold "off invoice," KALASHO reported 95-100 percent of his OTP as being exported out-of-state, thus relieving him of his excise tax liability to California. In reality, the majority of his OTP was sold in the state of California, most within driving distance of his business.

As a licensed tobacco products distributor in California, KALASHO is required to report his monthly OTP distributions and pay the excise tax to the State of California. As part of the scheme, KALASHO would periodically submit by mail to the California Board of Equalization, distributor returns that were false and fraudulent in that they under reported the actual distributions and excise tax due to the State of California.

As part of the conspiracy, KALASHO would sell the untaxed OTP primarily to California customers, including MALHI doing business as LA Price King. The majority of the sales were at an untaxed price, and these sales would be made "off invoice," but on occasion sales would be made at a fully taxed price so as to generate legitimate invoicing that could serve as "proof" for the customer that the product in inventory had been taxed. MALHI received the largest portion of this "off invoice" OTP but concealed his purchases from the California Board of Equalization and destroyed records that disclosed the true amount of his purchases from KALASHO.

The California excise tax for OTP is more than 45 percent of the wholesale cost. Due to this high rate, a large profit margin exists for individuals or companies who can illegally evade paying it.

If convicted, KALASHO and MALHI face a maximum of 20 years in prison plus substantial fines. The actual sentence, however, will be determined at the discretion of the court after consideration of the Federal Sentencing Guidelines, which take into account a number of variables and any applicable statutory sentencing factors.

The charges are only allegations and the defendants are presumed innocent until and unless proven guilty beyond a reasonable doubt.

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